ENTROPY INC.

Climate Risk Disclosure Report

2024 & 2025

For the taxation years ended December 31, 2024 and December 31, 2025

Publication date: August 25, 2026

FRAMEWORK

About This Report

REPORTING SCOPE

This combined report is intended to satisfy Entropy Inc.'s climate risk disclosure requirements for the 2024 and 2025 reporting taxation years

BASIS OF PREPARATION

This report has been prepared by Entropy Inc. (the Corporation) to describe the climate-related risks and opportunities relevant to the Corporation for the taxation years ended December 31, 2024 and December 31, 2025. The report also explains how the Corporation's governance, strategy, risk management, metrics and targets support Canada's commitments under the Paris Agreement and Canada's goal of net-zero emissions by 2050

The report was prepared and published in 2026. Unless otherwise stated, historical information is presented for the applicable 2024 or 2025 reporting period. Material developments occurring after December 31, 2025 are identified as subsequent developments and are not presented as conditions that existed during the reporting periods

Contents

CORPORATE OVERVIEW

Corporate Overview and Reporting-Period Developments

CORPORATE OVERVIEW AND BUSINESS MODEL

The Corporation develops and delivers integrated carbon capture, transportation, sequestration and low-carbon power solutions. Its business combines proprietary capture technology, project development and execution capabilities, access to capital, carbon-management expertise and permanent geological storage. The Corporation's solutions are intended for industrial emitters and power users seeking practical and scalable emissions-reduction pathways

During the reporting periods, the Corporation's activities included operating carbon capture at the Glacier natural gas processing facility, advancing the Glacier Phase 2 CCS project (Glacier Phase 2), progressing carbon transportation and storage opportunities, evaluating additional industrial carbon capture projects, and continuing the development and commercialization of its capture technologies

THE DELIVERY CHAIN

01	**Capture**	Industrial and power-generation emissions sources
02	**Transport**	Fit-for-purpose CO_2 infrastructure
03	**Store**	Permanent geological sequestration
04	**Enable**	Financing, carbon management and monitoring

REPORTING-PERIOD HIGHLIGHTS

2024

OPERATE AND OPTIMIZE

The Corporation continued commercial operation and optimization of Glacier Phase 1A and 1B. The Corporation announced final investment details for Glacier Phase 2 and advanced its low-carbon power strategy. The Corporation also advanced third-party project opportunities, including pre-FEED evaluation work with Methanex

2025

BUILD AND EXECUTE

Glacier Phase 2 advanced into construction. The Corporation continued to develop carbon infrastructure, low-carbon power and carbon storage opportunities and advanced its portfolio of prospective projects

SUBSEQUENT

COMMISSION AND ENHANCE

Glacier Phase 2 was commissioned in 2026. Current information is included only where it helps describe the evolution of risks, opportunities, governance or metrics after the reporting periods

GOVERNANCE

Governance

BOARD OVERSIGHT

01 The Board oversees the Corporation's strategy, material capital commitments, financing plans and principal business risks, including risks and opportunities arising from carbon policy, carbon markets, project execution, technology performance and the demand for decarbonization solutions

02 Management provides the Board with periodic updates on operating performance, project development, capital requirements, policy and regulatory developments, commercial opportunities and material risks

03 Material projects are subject to defined approval and oversight processes, including evaluation of technical scope, capital requirements, expected emissions reductions, commercial arrangements, financing, regulatory requirements and execution risk

MANAGEMENT RESPONSIBILITY

Management is responsible for developing and executing the Corporation's strategy, integrating climate-related considerations into project evaluation and financial planning, monitoring operating and project risks, and reporting material matters to the Board. Accountability is assigned to the relevant executive and functional leaders for project development, operations, finance, carbon markets, policy, regulatory compliance, technology and subsurface matters

STRATEGY

Strategy and Integration with Financial Planning

STRATEGY: SCALING FINANCEABLE EMISSIONS-REDUCTION PROJECTS

Climate-related opportunity is central to the Corporation's business model. The Corporation seeks to enable industrial emissions reductions by combining capture technology, project development, financing structures, carbon management and permanent sequestration.

The Corporation's strategy is influenced by the pace of industrial decarbonization, carbon policy, government incentives, carbon credit values, access to capital, technology performance and the availability of suitable transportation and storage infrastructure

INTEGRATION WITH FINANCIAL PLANNING

The Corporation considers climate-related risks and opportunities in project economics, capital budgeting, liquidity forecasts, financing plans and commercial negotiations. Key inputs may include expected capture and sequestration volumes, project availability, capital and operating costs, carbon-credit values, incentive timing and eligibility, power revenues, financing costs, project schedules and counterparty obligations. Material assumptions are subject to review and Board oversight through the applicable planning and approval processes

CLIMATE-RELATED OPPORTUNITIES

01 Deployment of carbon capture on industrial and power-generation emissions sources

02 Integration of carbon capture with reliable low-carbon power generation

03 Development and ownership of carbon transportation and permanent storage infrastructure

04 Commercialization and continuous improvement of modular capture systems, integrated capture systems, solvent technology, waste heat recovery and digital monitoring capabilities

05 Use of long-term commercial arrangements and carbon-price support mechanisms to improve project financeability

06 Expansion into additional sectors and jurisdictions where policy, geology, customer demand and economics support investable projects

CLIMATE-RELATED RISKS AND POTENTIAL FINANCIAL EFFECTS

DRIVER	POTENTIAL EFFECT ON ENTROPY	KEY RESPONSES
Policy & Regulation	Changes to carbon pricing, crediting systems, environmental regulation, permitting or incentive programs may affect project economics, timing and demand	Policy monitoring; regulatory engagement; project structuring; diversification of projects, customers and jurisdictions
Carbon Markets & Offtake	Carbon credit price, eligibility, verification, invalidation or market liquidity may affect revenue and financing	Long-term offtake arrangements where available; measurement, monitoring and verification; contractual allocation of risk; credit-quality controls
Project Execution	Capital escalation, schedule delays, supply-chain constraints, contractor performance or commissioning issues may affect returns and liquidity	Stage-gated approvals; engineering and procurement controls; contingency planning; project reporting and oversight
Technology & Performance	Capture rates, energy requirements, solvent performance, availability or operating costs may differ from expectations	Commercial operating experience; testing and optimization; modular design; performance monitoring; technology development
Transportation & Storage	Capacity, injectivity, permitting, integrity, monitoring or third-party access may affect permanent sequestration	Subsurface evaluation; measurement, monitoring and verification (MMV); regulatory compliance; storage diversification; operating controls
Financing & Liquidity	The timing of capital spending, incentive receipts, carbon revenues and project cash flows may affect liquidity and funding needs	Cash forecasting; committed financing arrangements; staged investment; capital allocation and Board oversight
Market Demand & Competition	Slower adoption of CCS, competing technologies, or lower customer willingness to pay may reduce the project pipeline or expected returns	Customer partnerships; cost reduction; full-service delivery; sector and geographic diversification
Physical Climate Impacts	Acute or chronic physical conditions may affect project sites, construction, operations, supply chains or counterparties	Site-specific design and operating practices; emergency planning; insurance; incorporation into project risk assessments where material

RISK MANAGEMENT

Risk Identification, Assessment and Management

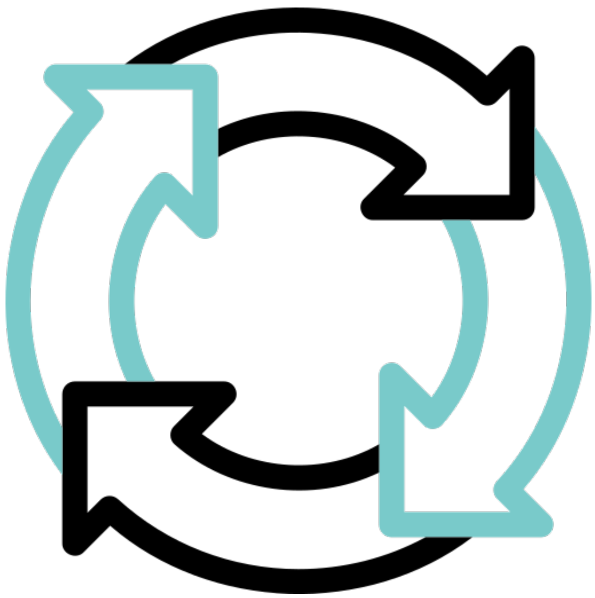
The Corporation identifies, assesses and manages climate-related risks through corporate planning, project development, technical assurance, operations, finance, regulatory review and commercial processes. The nature and significance of risk vary by project stage, jurisdiction, technology, contractual structure and operating status

01 IDENTIFY

Risks and opportunities are identified through strategy development, project diligence, engineering, operations, regulatory review, commercial negotiations, financial planning and Board or management review

02 ASSESS

Relevant teams assess potential likelihood, impact, timing and interdependencies. Project evaluations consider technical, commercial, regulatory, execution, financing, safety and environmental factors



03 RESPOND

Responses may include design changes, contractual protections, staged capital approvals, insurance, financing structures, monitoring plans, contingency, operating controls or acceptance of risk within approved parameters

04 MONITOR + REPORT

Performance, project status, material assumptions and emerging risks are monitored through operational, financial and project reporting and escalated to management and the Board where appropriate

ENTROPY'S RISK MANAGEMENT POLICY ESTABLISHES

- **Risk categories** – Strategic, Regulatory, Financial, Operational, Technological, Environmental, and Reputational / Governance
- **Governance model** – Board oversight, management ownership (CFO as ERM lead), and risk owner accountability at the function or project level
- **Risk appetite statement** – Low tolerance for risks to safety, risk to compliance and ethical risks; measured tolerance for strategic and commercial risks consistent with growth-stage CCUS development
- **Assessment methodology** – Inherent and residual risk scoring on a 5 × 5 Likelihood × Impact matrix
- **Reporting cadence** – Principal risks reported quarterly; full Risk Register reviewed annually

METRICS & TARGETS

Metrics and Targets

METRICS USED TO ASSESS CLIMATE RELATED RISKS & OPPORTUNITIES

The Corporation uses operational, project, financial and emissions-related information to assess performance and manage climate-related opportunities and risks. Metrics are selected based on project stage and data availability. The Corporation distinguishes actual performance from designed capacity, budgets, forecasts and long-term objectives

01 **CO_2 Captured & Permanently Stored**

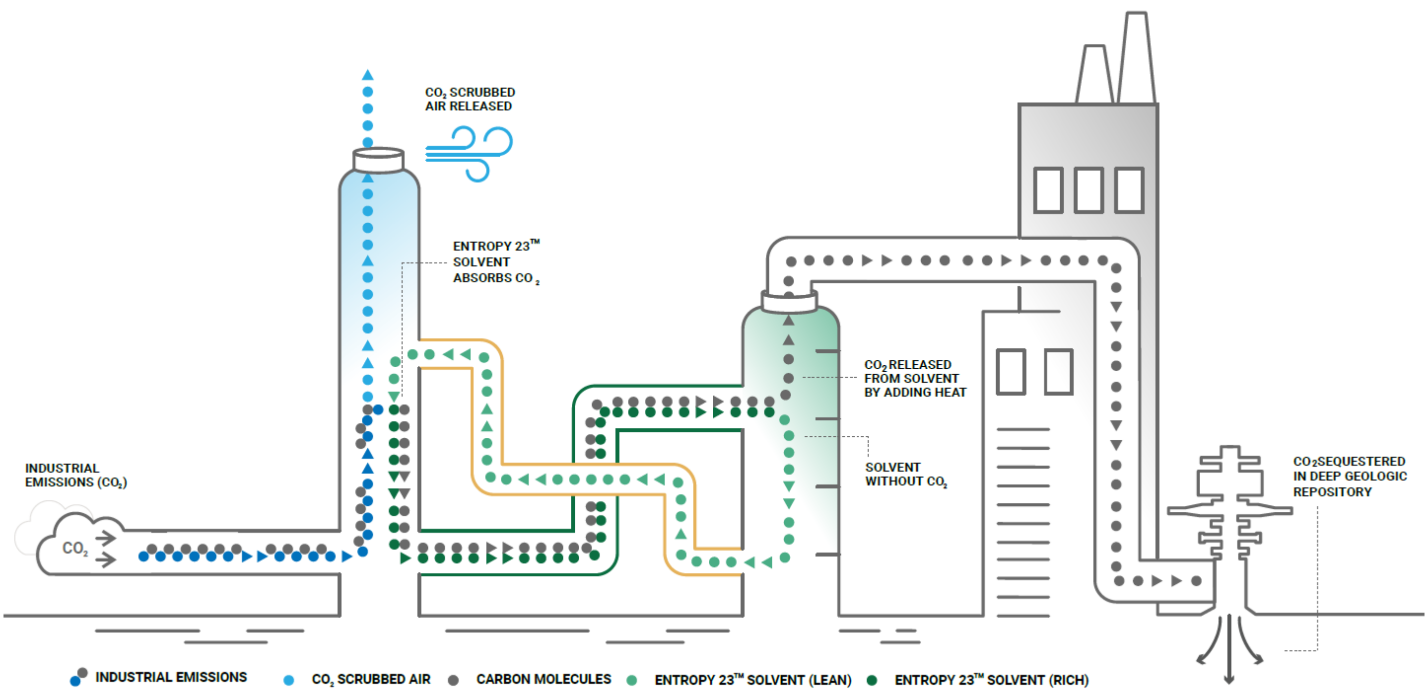
02 **CO_2 Emissions Mitigated, Including Waste Heat Recovery**

03 **Capture Facility Availability / Runtime**

04 **Capture Efficiency**

05 **Project Development Milestones**

06 **Carbon Credits Generated / Sold**



TARGETS AND OBJECTIVES

The Corporation's principal climate-related objective is to develop and operate investable carbon infrastructure and low-carbon power projects that deliver measurable and durable emissions reductions. Project-specific targets may include designed capture capacity, capture efficiency, emissions intensity, availability, construction milestones and cost performance

PARIS AGREEMENT & NET-ZERO

Contribution to Canada's Climate Commitments

PARIS AGREEMENT

Canada's commitments under the Paris Agreement include reducing greenhouse gas emissions and strengthening the transition toward a lower-carbon economy. The Corporation contributes to these objectives by developing technology and infrastructure intended to reduce emissions from existing and new industrial activity, supporting measurable carbon management and enabling permanent geological sequestration

NET-ZERO EMISSIONS BY 2050

The Corporation's capture, storage and low-carbon power activities are intended to support Canada's net-zero goal by enabling reductions in sectors where combustion, industrial heat or process emissions may remain. Governance, capital allocation, project development and technology investment are directed toward scaling credible and financeable projects

ENTROPY'S CONTRIBUTION DEPENDS ON

01 Policy durability and regulatory approval

02 Project economics and customer demand

03 Access to capital and financing structures

04 Technology and operating performance

05 Carbon transportation and storage capacity

Entropy Inc. does not represent that its activities alone will achieve Canada's national commitments

ANNUAL DISCLOSURES

Annual Disclosures — 2024, 2025 and Subsequent Developments

ANNUAL DISCLOSURE — TAXATION YEAR ENDED DECEMBER 31, 2024

In 2024, the Corporation's climate-related activities focused on operating and optimizing Glacier Phase 1A and 1B, advancing Glacier Phase 2 toward execution, developing low-carbon power and carbon infrastructure opportunities, and pursuing additional industrial carbon-capture projects. The principal climate-related risks and opportunities included policy and carbon-price support, project economics and financing, technology and operating performance, project execution, regulatory approvals and customer adoption

ANNUAL DISCLOSURE — 2025 AND SUBSEQUENT DEVELOPMENTS

In 2025, the Corporation continued operating existing carbon-capture facilities and advanced Glacier Phase 2 through construction. The Corporation continued to develop transportation, storage and low-carbon power opportunities and progressed its broader project pipeline. Relative to 2024, increasing construction activity heightened exposure to capital, schedule, procurement, contractor performance, commissioning and liquidity risks while also advancing the Corporation toward greater emissions-reduction capacity

SUBSEQUENT DEVELOPMENTS

After December 31, 2025, Glacier Phase 2 was commissioned in 2026 and the Corporation continued to advance its corporate risk-management practices

REPORTING LIMITATIONS & FORWARD-LOOKING INFORMATION

Climate-related information is subject to measurement uncertainty, evolving methodologies, future policy and market conditions, and assumptions regarding project development and operating performance. Historical metrics may be revised where improved information or methodologies become available. Unless expressly stated, forward-looking information is not a guarantee of future performance and actual outcomes may differ materially.

This report is not intended to replace the Corporation's financial statements, tax filings, project evaluations or regulatory submissions